

# **Commercial Avenue Commission**

## **SSA #5**

Financial Statements

Years ended December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



Benford Brown & Associates

# COMMERCIAL AVENUE COMMISSION

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## Independent Auditors' Report

The Board of Directors  
South Chicago Chamber of Commerce and SSA #5:

We were engaged to audit the accompanying statement of assets, liabilities, and net assets of Commercial Avenue Commission SSA #5 (the Commission), as of December 31, 2011 and 2010, and the related statements of revenues and expenditures-budget to actual, and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Commercial Avenue Commission SSA #5 as of December 31, 2011 and 2010, and its revenues and expenditures-budget to actual, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The 2011 and 2010 budget amounts, which were arrived at by the Special Service Area are shown in the statement of revenue, expenditures and changes in net assets, are presented for comparison purposes only. We have not performed any auditing procedures on the budget amounts and therefore, express no opinion on them.



Benford Brown & Associates, LLC  
Chicago, IL  
March 27, 2012

## COMMERCIAL AVENUE COMMISSION

### Statements of Assets, Liabilities, and Net Assets

December 31, 2011 and 2010

	<b>Assets</b>	2011	2010
Current assets:			
Cash	\$	157,360	\$ 74,947
Levy receivables (note 4)		255,412	221,353
Due from Chamber		4,296	-
Prepaid expenses (note 5)		41,303	49,062
<b>Total current assets</b>		<b>458,372</b>	<b>345,363</b>
<b>Total assets</b>	<b>\$</b>	<b>458,371</b>	<b>\$ 345,363</b>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$	26,273	\$ 22,228
<b>Total liabilities</b>		<b>26,273</b>	<b>22,228</b>
Net assets:			
Unrestricted		432,098	323,135
<b>Total net assets</b>		<b>432,098</b>	<b>323,135</b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>458,371</b>	<b>\$ 345,363</b>

The accompanying notes are an integral part of these financial statements.

**COMMERCIAL AVENUE COMMISSION**

Statements of Revenue and Expenditures-Budget to Actual

Years ended December 31, 2011 and 2010

	2011			2010		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>Revenues:</b>						
Tax levy revenue (note 3)	\$ 478,455	482,143	(3,688)	\$ 413,170	413,107	62.66
Miscellaneous revenue	177	-	177	421	-	421
<b>Total revenue</b>	<b>478,632</b>	<b>482,143</b>	<b>(3,511)</b>	<b>413,591</b>	<b>413,107</b>	<b>484</b>
<b>Expenditures:</b>						
<b>Advertising and promotion services</b>						
Promotions/marketing	-	2,000	(2,000)	3,000	2,000	1,000
Holiday/seasonal promotions	1,425	500	925	3,200	3,500	(300)
Special events	2,636	10,000	(7,364)	9,250	9,250	-
Display ads	1,250	-	1,250	-	-	-
Print materials	399	1,000	(601)	-	2,000	(2,000)
Website technology	-	600	(600)	600	500	100
Service provider direct services	-	7,000	(7,000)	-	8,000	(8,000)
<b>Total advertising and promotion services</b>	<b>5,711</b>	<b>21,100</b>	<b>(15,389)</b>	<b>16,050</b>	<b>25,250</b>	<b>(9,200)</b>
<b>Public way maintenance services</b>						
Equipment purchase and maintenance	249	500	(251)	-	1,000	(1,000)
Gate/fence maintenance	-	500	(500)	-	2,500	(2,500)
Liability/property insurance	4,473	-	4,473	7,643	-	7,643
Sidewalk cleaning	42,388	48,000	(5,612)	64,780	54,000	10,780
Sidewalk repair	-	1,000	(1,000)	-	4,500	(4,500)
Snow removal	3,000	5,000	(2,000)	5,600	5,400	200
Supplies	918	1,500	(582)	1,659	3,000	(1,341)
Vermin abatement program	-	700	(700)	-	1,200	(1,200)
Other: Recycling program	40	2,000	(1,960)	574	2,000	(1,426)
Service provider direct services	-	8,000	(8,000)	-	8,000	(8,000)
<b>Total public way maintenance services</b>	<b>51,068</b>	<b>67,200</b>	<b>(16,132)</b>	<b>80,256</b>	<b>81,600</b>	<b>(1,344)</b>
<b>Public way aesthetic services</b>						
Decorative banners	8,212	9,000	(788)	8,560	8,000	560
Landscaping	22,891	25,000	(2,109)	24,220	26,000	(1,780)
Holiday decorations/other	1,260	5,000	(3,740)	6,281	11,000	(4,719)
Streetscape elements purchase	296	1,000	(704)	248	2,000	(1,752)
Wayfinding/signage	-	1,000	(1,000)	-	1,000	(950)
Other: Emergency board up	-	1,000	(1,000)	-	2,000	(2,000)
Light pole painting	-	-	-	-	-	-
Service provider direct services	-	7,000	(7,000)	-	8,000	(8,000)
<b>Total public aesthetic services</b>	<b>32,659</b>	<b>49,000</b>	<b>(16,341)</b>	<b>39,310</b>	<b>58,000</b>	<b>(18,640)</b>
<b>Tenant retention/attraction</b>						
Site marketing materials	-	500	(500)	-	2,000	(2,000)
Technical assistance to businesses	-	500	(500)	-	2,000	(2,000)
Technical assistance to residents	-	500	(500)	-	1,000	(1,000)
Service provider direct services	-	7,000	(7,000)	-	8,000	(8,000)
<b>Total tenant retention/attraction</b>	<b>-</b>	<b>8,500</b>	<b>(8,500)</b>	<b>-</b>	<b>13,000</b>	<b>(13,000)</b>
<b>Parking/transit/accessibility services</b>						
Parking facility enhancement program	-	1,500	(1,500)	-	12,000	(12,000)
Parking transit enhancement	63,018	75,000	(11,982)	59,107	92,500	(33,393)
Parking fee subsidy	-	1,000	(1,000)	-	2,000	(2,000)
Other	-	500	(500)	102	2,000	(1,898)
Service provider direct services	-	11,715	(11,715)	-	8,715	(8,715)
<b>Total parking/transit/accessibility services</b>	<b>63,018</b>	<b>89,715</b>	<b>(26,697)</b>	<b>59,210</b>	<b>117,215</b>	<b>(58,005)</b>
<b>District planning services</b>						
Service provider direct services	-	-	-	-	-	-
Other	-	-	-	-	-	-
SSA provider transition services	-	-	-	-	-	-
<b>Total district planning services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Safety programs</b>						
Public way surveillance cameras/maintenance	18,043	20,000	(1,957)	21,599	5,500	16,099
Security rebate program	-	2,000	(2,000)	-	3,000	(3,000)
Security subcontractor	89,483	102,000	(12,517)	115,878	75,000	40,878
Service provider direct services	-	11,500	(11,500)	-	9,500	(9,500)
<b>Total safety programs</b>	<b>107,526</b>	<b>135,500</b>	<b>(27,974)</b>	<b>137,476</b>	<b>93,000</b>	<b>44,476</b>
<b>Façade development services</b>						
Signage	-	500	(500)	50	1,000	(950)
Façade enhancement program	1,250	15,000	(13,750)	4,400	8,000	(3,601)
Service provider direct services	-	8,500	(8,500)	-	8,500	(8,500)
<b>Total façade development services</b>	<b>1,250</b>	<b>24,000</b>	<b>(22,750)</b>	<b>4,450</b>	<b>17,500</b>	<b>(13,051)</b>
<b>Management and general</b>						
Audit/bookkeeping	12,975	10,500	2,475	11,263	10,000	1,263
Meeting	125	1,000	(875)	-	600	(600)
Legal	-	-	-	-	-	-
Rent, parking, utilities	1,200	-	1,200	-	-	-
Rent	8,640	8,600	40	6,300	6,500	(200)
Office equipment lease/maintenance	-	1,164	(1,164)	-	714	(714)
Office supplies	-	914	(914)	-	714	(714)
Utilities	3,017	7,250	(4,233)	1,864	6,500	(4,636)
Postage	116	1,200	(1,084)	364	714	(350)
Printing	-	2,500	(2,500)	544	1,500	(956)
Other	12,659	-	12,659	18,476	-	18,476
Loss collection (note)	12,234	39,000	(26,766)	44,113	23,000	21,113
Service provider administrative support	57,472	15,000	42,472	54,739	15,000	39,739
<b>Total management and general</b>	<b>108,438</b>	<b>87,128</b>	<b>21,310</b>	<b>137,664</b>	<b>65,242</b>	<b>72,422</b>
<b>Total expenses</b>	<b>\$ 369,670</b>	<b>482,143</b>	<b>(112,473)</b>	<b>\$ 474,414</b>	<b>470,807</b>	<b>3,657</b>
<b>Excess of Expenditures over Revenue</b>	<b>108,962</b>	<b>-</b>	<b>108,962</b>	<b>(60,823)</b>	<b>-</b>	<b>(3,173)</b>

## COMMERCIAL AVENUE COMMISSION

### Statements of Cash Flows

For the years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net increase/(decrease) in net assets	\$ 108,962	\$ (60,823)
Adjustments to reconcile increase/(decrease) in net assets to cash used in operating activities:		
Increase in levy receivable	(34,059)	(71,958)
Increase in due from Chamber	(4,296)	-
Decrease in prepaid expenses	7,759	10,868
Increase in accounts payable	4,045	19,078
Net cash provided by/(used in) operating activities	82,411	(102,835)
Cash flows provided by investing activities:	-	-
Cash flows provided by financing activities:	-	-
Net increase/(decrease) in cash	82,411	(102,835)
Cash as of January 1, 2011 and 2010	74,947	177,782
Cash as of December 31, 2011 and 2010	\$ 157,358	\$ 74,947

The accompanying notes are an integral part of these financial statements.

## COMMERCIAL AVENUE COMMISSION SSA # 5

Notes to the Financial Statements

Years ended December 31, 2011 and 2010

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### **(1) Organization Description**

Commercial Avenue Commission (the Commission) Special Service Area No.5 (SSA #5) was created September 18, 1984 by ordinance of the Chicago City Council. The Commission began financial operations upon receipt of real estate tax assessment revenues in April 1985. The Commission is funded annually by a special tax assessment.

The purpose of the Commission is to provide special services within the City of Chicago (City) SSA #5 in addition to services provided by and to the City. The Commission's operations are overseen by the South Chicago Chamber of Commerce (the Chamber).

### **(2) Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are accounted for using the accrual basis; revenues are recognized when they are both measurable and available. Available means the current period or soon enough thereafter to pay current liabilities. The Commission considers tax revenue to be available if it is collected within 60 days of the end of the year.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Commission maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on the Commission as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Accounting Codification Standards (ACS) No.958-205, “Not-for-Profit Entities Presentation of Financial Statements”.

## COMMERCIAL AVENUE COMMISSION SSA # 5

### Notes to the Financial Statements

Years ended December 31, 2011 and 2010

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Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by the Commission. Generally, the donors to these assets permit the Commission to use all or part of the income earned on related investments for general or specific purposes. The Commission did not maintain any permanently restricted net assets during fiscal years 2011 or 2010.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Commission and/or passage of time. The Commission did not maintain any temporarily restricted net assets during fiscal years 2011 and 2010.

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

#### **Donated Services**

Donated services are recognized as contributions in accordance with FASB ACS 958-605 "Not-for-Profit Entities, Revenue Recognition", if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Commission.

#### **Income Tax**

The Commission, as a Special Service Area established by the City of Chicago, is excluded from federal income taxes.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## COMMERCIAL AVENUE COMMISSION SSA # 5

### Notes to the Financial Statements

Years ended December 31, 2011 and 2010

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#### Net Assets

Unrestricted net assets are \$432,098 and \$323,135 as of December 31, 2011 and 2010, respectively.

#### (3) Real Estate Tax Revenue

The Organization's principle source of revenue is from real estate taxes levied on certain property located in the boundaries from 87<sup>th</sup> on the north to 93<sup>rd</sup> on the south along South Commercial Avenue; 91<sup>st</sup> frontage, from Exchange Avenue on the west to Houston Avenue on the east; and 92<sup>nd</sup> frontage, from Exchange Avenue on the west to Harbor on the east. The taxes are assessed and collected by Cook County and paid to the City of Chicago, which then remits to the Organization. Taxes are levied in one year, but paid in two installments the following year by the property owners. The Organization recognizes this revenue in the year in which the funds become available.

#### (4) Levy Receivable

Levy receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
City of Chicago	<u>\$ 255,412</u>	<u>\$ 221,353</u>

All of the Commission's receivables are due within the next fiscal year.

#### (5) Prepaid Expenses

Prepaid expenses comprise of the following at December 31:

	<u>2011</u>	<u>2010</u>
Prepaid insurance	\$ 2,841	\$ 1,456
Prepaid trolley cars	<u>38,462</u>	<u>47,606</u>
Total prepaid expenses	<u>\$ 41,303</u>	<u>\$ 49,062</u>

#### (6) Loss Collection

The Commission uses the allowance for doubtful account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts in the financial statements. At December 31, 2011 and 2010, the Commission had loss collections included in the

## COMMERCIAL AVENUE COMMISSION SSA # 5

### Notes to the Financial Statements

Years ended December 31, 2011 and 2010

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budget in the amounts of \$39,000 and \$23,000 respectively. As of December 31, 2011 and 2010, the Commission deemed \$12,234 and \$44,113 to be uncollectible for each year, respectively.

#### (7) Fair Value of Financial Instruments

In determining fair value, the Commission uses various valuation approaches within the Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 820-10 "Fair Value Measurements and Disclosures" fair value measurement network. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820-10 defines the levels within the hierarchy base on the reliability of inputs as follows:

Level 1 – Valuations based on adjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 – Valuations derived from valuation techniques in which one or more of significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2009 are as follows:

	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Certificate of deposit \$	20,184			
Money market - MB	5,615			
Money market - Royal	<u>46,322</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 72,121</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

**COMMERCIAL AVENUE COMMISSION SSA # 5**

Notes to the Financial Statements

Years ended December 31, 2011 and 2010

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Fair value for Level 1 assets is determined by reference to quoted market transactions

## COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Schedule of Audit Findings

Year ended December 31, 2011

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### **Finding 11-1 Reconcile Bank Accounts on a Timely Basis**

We noted that CAC does not reconcile bank accounts on a timely basis. Deposits (\$40,332.66) and cleared checks (\$13,460.87) were not recorded per the general ledger which leads to an unreconciled December 31, 2011 cash account. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

### **Management Response**

Each Commissioner was given a copy of the audit results for 2011. The Commissioners reviewed both the current and the prior year audit findings. There was extensive discussion regarding repeat exceptions. The Commissioners asked Raya Lopez to discuss the proposed resolutions for the exceptions. After the discussion, the Commissioners decided to appoint Dorothy Hudson to take on the task to reconcile the monthly reports and statements on behalf of the commission as well as to report any findings to the Commission at regularly scheduled meetings.

### **Finding 11-2 Improperly Recorded Financial Transactions**

We noted that several revenue and receivable transactions were improperly recorded. The bookkeeper recorded revenue when received. The accounting records should be maintained on the accrual basis of accounting which dictates that revenue is recorded when earned. As a result of these improperly recorded transactions, the current year tax levy revenue was understated by \$86,610. Additionally, prior year write offs of tax levy was understated by \$12,072.

We recommend that CAC require the bookkeeper to prepare the financial statements according to the accrual basis of accounting.

### **Management Response**

The Commission also was satisfied at the resolution for finding 11-2 and 10-1 with the new recording system in place that will calculate regular and prior year transactions.

The Commissioner approved the audit including that response unanimously upon a motion made by William Savarino and Tyrone Robinson.

## COMMERCIAL AVENUE COMMISSION SSA # 5

Service Provider Agreement Compliance

Summary Prior Schedule of Audit Findings

Year ended December 31, 2011

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### **Finding 10-1 Uncollectible Accounts**

We noted that no monthly or other regular schedule of accounts receivable is prepared, in which the accounts are analyzed and categorized by age. We recommend that such a schedule be prepared periodically, to serve as a basis for the investigation of possible errors and the scrutinizing and investigation of accounts which have become old and doubtful of collection unless prompt collection efforts are taken.

Resolution: As this is a repeat comment, we find this comment to be unresolved.

### **Finding 10-2 Bank Reconciliations**

We noted that the Commission did not properly show evidence of review of the bank reconciliation. During our current audit, we found that all bank accounts and certificate of deposits account were properly reconciled. However, we noted no evidence of review by the board or an officer of the board. Therefore, full implementation had not yet been achieved as of the date of this audit report. As such, we do not consider this finding to be resolved.

Resolution: This comment has been resolved.